

**MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
WEDNESDAY, JANUARY 17, 2001, 3:00 P.M.
Room 223, State Capitol Building**

Members Present: Sen. Lyle Hillyard, Committee Co-Chair
Rep. Afton Bradshaw, Committee Co-Chair
Sen. Peter Knudson
Sen. Paula Julander
Rep. Patrice M. Arent
Rep. Katherine M. Bryson
Rep. Margaret Dayton
Rep. Patricia W. Jones
Rep. LaWanna "Lou" Shurtliff
Rep. Richard M. Siddoway
Rep. Gordon E. Snow
Rep. Stephen H. Urquhart

Members Excused: Sen. Steve Poulton
Rep. Martin R. Stephens

Staff Present: Boyd A. Garriott, Senior Legislative Fiscal Analyst
Debra Headden, Legislative Fiscal Analyst
Rolayne Day, Secretary

Public Speakers Present: Commissioner Cecelia H. Foxley
Charlie Johnson, Board of Regents Chair

Visitor List on File

Committee Co-Chair Hillyard called the meeting to order at 3:05 p.m.

1. Introductions and Committee Business—Co-Chair Hillyard said meetings will start and end on time with a five to ten-minute break at 3:30. He asked that committee members stay in the meetings and be attentive during that time frame. Committee members and staff then introduced themselves.

Sen. Hillyard said he and Co-Chair Bradshaw would like the committee to focus on three issues during the session: the Regents' new funding formula, faculty salaries (including retaining current faculty, issues relating to teaching assistants vs. professors, and outreach to minority communities), and making decisions that will make a difference to an institution rather than distributing available funds across the system and really helping no one.

Sen. Hillyard said that because a portion of salary increases must come from a tuition increase, it forces some schools to raise tuition when the tuition is already too high. He challenged each committee member to make unbiased decisions so that every school president can say at the end of the session that they were treated fairly.

Commissioner Cecelia Foxley introduced Regents present, and then school presidents introduced themselves and others from their institution. Sen. Hillyard noted that legislative leadership is considering holding two interim session meetings on the various campuses as a way of familiarizing the representatives

and senators with higher education. He encouraged members of the Committee to think about those two interim meetings and, for example, visiting a campus and/or looking at systemwide initiatives. A copy of a proposed session agenda was distributed to the committee.

2. Discussion of Higher Education, New Funding Formula—Board of Regents Chair Charlie Johnson distributed handouts on the proposed funding formula and said it is the number one priority for the Committee this session. The new formula is more predictable and moves away from funding only growth. He cautioned that, although they have spent a lot of time developing the new formula, it is a work in progress; as it is used, they will need to make changes; it is, however, a start.

Unlike WPU (weighted pupil unit) funding in public education where the variable is the type of student, higher education's FTE (full-time equivalent) is a fixed rate with the variable being the type of education; the cost of instruction (level of instruction). It was noted that one FTE is 15 credit hours. Higher education's largest expenditure is compensation at 80%; the remaining 20% covers libraries, advising, etc. Rep. Bryson expressed concern that counseling is overlooked. Mr. Johnson said that was partially true in the past, but the new formula gives predictability to those areas. Rep. Bryson asked how accountability factors into the formula. Mr. Johnson said it is built in and each president is committed to that accountability.

Rep. Jones asked how the formula impacts tuition. Mr. Johnson said 25% of tuition increases must go to salary increases as per the Executive Committees rules. The Board of Regents has adopted a two-tiered tuition system with the first tier in the formula and the second tier market driven. Commissioner Foxley said the Regents have requested a 4% tuition increase (Tier 1). Rep. Urquhart asked if the formula will impact admissions criteria; Mr. Johnson said that it would not.

Mr. Johnson discussed details of the new formula found in the Regents's Budget Request document under the Executive Summary. Higher education is funded based on FTEs. For example, at a residential institution like Snow College, the FTE and headcount are the same, 2,400 this year. But SLCC has 12,000 FTE and 22,000 head count because most of the students work and take a smaller course load. Mr. Johnson said there are 125,000 headcount students in the entire system with 93,000 FTEs.

Sen. Hillyard noted that tuition is an important component of the formula because if more students enroll than planned, the institution needs more money to cover the instruction; if less students come than anticipated, more funding is needed to cover the loss of revenue. Mr. Johnson noted Item IV, Core Support, provides for some equity among the institutions. Commissioner Foxley said you must ask if higher education is better off with or without the formula, and the Regents feel the answer is, "We are better off."

Rep. Dayton asked if the formula transfers the fiduciary responsibility statutorily assigned to the Legislature to the Regents. Mr. Johnson said the Board of Regents only makes suggestions they hope the Legislature will adopt. Rep. Dayton said that no matter how much money is given, it is truly never enough. She questions why the Committee can't just give the institutions as much as possible, have them determine how to spend it, and then report back how it was spent. Mr. Johnson said the Regents would prefer that method. Sen. Hillyard said the co-chairs need to understand the needs so they can explain them to the Executive Committee so it is important to go over the details.

Fiscal Analyst Boyd Garriott distributed a handout containing the Analysts' evaluation of the formula as well as an identification of issues and problems. The analysts feel that the formula does not meet the requirement set out in intent language adopted by the Legislature in the 2000 Session to reduce funding dependence on enrollment growth. Table 1 on page 3 of the handout shows that the formula funding

mechanism is based on the full cost of instruction plus indirect support costs while the allocation method on Table 2, page 4 indicates the distribution base which is based on the direct cost of instruction. The \$62 million identified by the formula as necessary for higher education is far higher than is realistically going to be allotted to higher education.

Sen. Hillyard pointed out that raising tuition doesn't always raise necessary funds because the student mix may change; out-of-state students (who pay substantially higher tuition) don't come with the increase, so in-state students fill in those spaces at a lower tuition rate. Revenues can actually go down even though tuition goes up.

Mr. Garriott said the analysts welcome the addition of inflation to the formula. He discussed enrollment growth funding and details of the costs reported by Mr. Johnson. The real question is whether the right items have been built into the formula, such as the omission of important items like fuel and power rate increases, O & M, etc. Since all presidents want salary equity, the analysts have determined a way to allocate available money according to three institutional categories they devised. He briefly discussed other concerns noting that block grant allocations suggested by Rep. Dayton would require statutory changes. He feels the formula still relies too heavily on enrollment growth and that it doesn't provide funding equity for like institutions (page 7).

Sen. Hillyard said institutional highlights should be given when each institution gives their own presentation rather than at one meeting (as outlined on the session agenda proposal).

Sen. Julander moved to adjourn.

The motion passed unanimously, and Committee Co-Chair Hillyard adjourned the meeting at 5:15 p.m.

Minutes were reported by Rolayne Day, Secretary.

Sen. Lyle Hillyard, Committee Co-Chair

Rep. Afton Bradshaw, Committee Co-Chair